



CITY OF WILLIAMSBURG

Office of the City Manager

March 17, 2021

Dear City of Williamsburg Taxpayer:

During the annual budget retreat with City Council on Feb. 22, I presented an initial draft of my budget proposal for fiscal year 2022 that begins July 1, 2021. In this presentation, I proposed raising the real property tax rate by 8 cents, which puts our rate at 68 cents and remains the lowest rate in the region by more than 10 cents.

I do not take my recommendation lightly, as I know the COVID-19 pandemic has financially affected so many of us. However, I believe this increase best positions Williamsburg to recover from this pandemic and to accommodate our needs once we are on the other side of it. Despite the City's already lean and small structure, I certainly considered other options, such as a hiring freeze, a furlough of part-time workers, the elimination of travel and training for staff, or financing some of our capital needs. I believe these options to be short-term solutions that will not correct a long-term problem.

The City provides a full suite of municipal services, including utilities, education, and public safety. Often services are provided without a user fee, such as trash collection and recycling services. The goal is always to offer this community a level of service and a quality of life that you deserve and expect. The proposed tax increase allows us to maintain services while proceeding with critical plans for the community, such as a new police station and library; to maintain the City's Aa1 and AAA bond ratings; to continue our sound financial management tradition; and to take advantage of future economic opportunities.

It is important to note that this tax increase is not being proposed because of the pandemic alone, though it did make the need more immediate. Over the last three fiscal years, I have forecasted that City Council would need to consider a property tax increase to help offset a growing structural imbalance in our Capital Improvement Plan (CIP), which is a five-year plan for funding major infrastructure projects, including Williamsburg-James City County Schools projects. School projects alone account for \$853,000, on average, of the City's annual CIP expenditures. Without the tax increase, the CIP would have a deficit of \$1.3 million in the coming fiscal year.

The 8-cent tax increase — 1.4¢ toward stabilizing the General Fund, and 6.6¢ toward cash financing, rather than borrowing for, WJCC Schools capital projects — would generate an estimated \$1.6 million for fiscal year 2022. That revenue would help:

- 1.4¢ → • stabilize the General Fund (this fund pays for general government expenses and core services)
- 6.6¢ → • provide funding for government CIP projects (major infrastructure projects including new buildings, sidewalks, bike trails, park improvements, and maintenance)
- 6.6¢ → • allow the City to cash finance, rather than borrow for, school CIP projects (includes new facilities, major maintenance, and additional capacity at existing facilities)
- 6.6¢ → • and help maintain the City's AAA/Aa1 bond rating (impacts the cost of borrowing money and is an indicator of fiscal stability)

The City has long enjoyed a healthy revenue stream that resulted in a surplus of funds at each year's close. With the surplus, the City was able to continue supporting the CIP. If that trend had continued, we could have delayed increasing revenues for two years. However, COVID-19 economic impacts have forced the General Fund into a

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deficit position for the last two fiscal years and are tracking for a third. This has placed the need for a correction of the imbalance as an urgent priority.

Fortunately, the City Council has a strong fiscal policy that requires 35% of our operating revenues to be held in reserve as a “rainy day” fund. This money is maintained for times such as these. To date the City has used \$585,325 from this “savings account” to balance the budget as a result of COVID-19, and we anticipate using another \$3.3 million of that money by the conclusion of next fiscal year. If this occurs our “savings” will be reduced below the 35% policy for the first time in many years. This is concerning because:

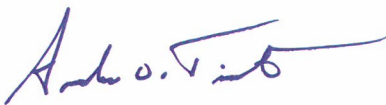
- A quick and unaddressed drop in the reserve balance could jeopardize the City’s credit rating which impacts how much interest we will pay when we borrow money for projects,
- The “savings” supplies the City’s cash to pay our obligations during the gaps between tax collection due dates, and
- A lower reserve limits our ability to respond in the next emergency that could be a hurricane, a recession, or even another pandemic.

Also, economic development prospects, such as new businesses or developers, often use the City’s credit rating to measure the community’s stability.

Hopefully, you can see that the decision to recommend a tax increase is not without careful consideration. Reducing expenses alone will not resolve the structural imbalance in the capital plan. We are now challenged with taking a step that continues the level of service that Williamsburg is known for and enables success post-pandemic that we will all be proud of.

This letter is meant to be a starting point for a community conversation that will continue through this spring. You can learn more about the budget proposal, view my presentation, create your own budget, and get a receipt for your taxes that shows you where your money goes by visiting www.williamsburgva.gov/budgetproposal. My formal budget proposal will be released on March 22. City Council will discuss the proposal during its April work session and regular meeting — April 5 and 8 — and you can voice your thoughts on the proposal at those meetings. City Council is slated to adopt the FY 2022 budget in May. As always, my inbox is open. Feel free to email me at citymanager@williamsburgva.gov or the members of City Council at council@williamsburgva.gov. Thank you for your time and attention as I shared the thinking behind my recommendation for a real property tax rate increase. I look forward to cooperating with you in the coming weeks on this budget proposal.

Sincerely,



Andrew O. Trivette
Williamsburg City Manager
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